September 28, 2010

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116


Dear Mr. Golden:

The 12 Federal Home Loan Banks (the “FHLBanks”) appreciate the opportunity to comment on the Financial Accounting Standards Board’s (the “FASB” or “Board”) Exposure Draft of a proposed Accounting Standards Update: Comprehensive Income (Topic 220) – Statement of Comprehensive Income (hereinafter referred to as the “proposed Update”). The FHLBanks commend the Board for its continuing efforts to improve financial reporting standards and for working with the International Accounting Standards Board (IASB) to achieve convergence between U.S. generally accepted accounting principles (U.S. GAAP) and International Financial Reporting Standards (IFRS). While the FHLBanks understand this proposed Update does converge with the proposed accounting changes put forth by the IASB for a single continuous statement of comprehensive income, the FHLBanks disagree with the proposed elimination of alternative presentations of comprehensive income. Given the vast differences between recently proposed accounting changes by the Board and the IASB, a statement of comprehensive income prepared in accordance with proposed U.S. GAAP would be significantly different from a statement of comprehensive income prepared under proposed IFRS. For example, the Board’s recently issued exposure draft on accounting for financial instruments would require a significant increase in the number of items with changes in fair value recognized in other comprehensive income. This differs significantly from current and proposed IFRS and, accordingly, would impact the comparability of statements of comprehensive income prepared under the two standards.

Additionally, the FHLBanks do not believe that the presentation of a single continuous statement of comprehensive income is necessary to improve comparability, consistency, and transparency in financial reporting. The FHLBanks request that the Board reconsider allowing alternative approaches for presenting comprehensive income, either as a separate statement or as a continuation of the statement of net income, for the following reasons:

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- Net income is an important financial metric, if not the most important financial metric, used by investors. Most investors consider an entity’s current and future earnings or other derivations of net income when making investment decisions. Despite the significance of net income to financial statement users, the proposed Update would relegate this metric to a “sub-total” within one continuous statement of comprehensive income.

Because financial statement users typically look to the “bottom-line” for financial results of an entity, they may focus solely on comprehensive income in a one continuous statement approach. As a result, it is possible that some financial statement users would ignore net income, one of the primary metrics for measuring the success of management’s business strategy, which could in turn lead to potential misinterpretations of an entity’s financial performance. For example, current credit impairment guidance requires that, if certain conditions are met, only the credit portion of other-than-temporary impairment is recognized in net income with the non-credit portion recognized in other comprehensive income. If comprehensive income becomes the primary or predominant financial metric, management’s judgment that it will still recover the amortized cost basis of the financial instrument may be ignored by financial statement users and lead to the misinterpretation of an entity’s performance.

- A principles-based approach should provide the flexibility necessary for an entity to present financial information in a manner that best reflects its business and the underlying transactions. The FHLBanks do not believe that a “one-size fits all” approach allows for entities in all industries to best present their financial information to their stakeholders. Instead of attempting to determine that one approach offers a superior model, the goal should be to have principles-based accounting standards that will accommodate the various business models across all industries.

- As previously stated, the Board’s recent exposure draft on accounting for financial instruments, if issued in its current form, would increase the number of items with changes in fair value recognized in other comprehensive income. The FHLBanks believe that this increase coupled with a continuous statement of comprehensive income is inconsistent with the Board’s objective of more transparent financial information. The business strategy and financial results associated with similar instruments measured at fair value through a combination of net income and other comprehensive income would be confusing to users of the financial statements if presented in a continuous statement of comprehensive income.

- Finally, the use of either one continuous statement or two separate statements should not impact the comparability of financial information for users. Presentation of either one continuous statement or two separate statements would not impact the classification and/or recognition of financial statement amounts. Financial information would be presented in a manner that is most relevant to an entity’s business and data between the
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two approaches would still be easily comparable for the user community. Further, the  
increase in line items and length associated with the preparation of one continuous  
statement of comprehensive income will likely lead to a two-page financial statement.  
The FHLBanks believe that a natural page break would be at net income.  

The FHLBanks thank the Board for its consideration of their views and welcome the opportunity  
to discuss this matter with the Board and its staff. Please do not hesitate to contact me at (214)  
441-8535.  

Sincerely,  

[Signature]  

Tom Lewis  
Senior Vice President and Chief Accounting Officer  
Federal Home Loan Bank of Dallas  
(On behalf of the 12 Federal Home Loan Banks as Chair of the Controllers’ Committee)